Introduction

This Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of the financial condition and results of operations to a reader to assess material changes in the financial condition and results of operations as at and for the year ended March 31, 2020. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of Lithoquest Diamonds Inc. ("Lithoquest" or the "Company") for the years ended March 31, 2020 and 2019 and the notes thereto (the "Statements"). Readers are encouraged to review the Statements in conjunction with this document. All reported amounts are stated in Canadian Dollars unless otherwise indicated. The information contained herein is presented as at July 24, 2020, unless otherwise indicated.

Description of Business

Lithoquest Diamonds Inc. ("Lithoquest" or the "Company") was incorporated on February 25, 1986 in Alberta, Canada. In April 2014 it was continued from the jurisdiction of Alberta to British Columbia, Canada. On November 23, 2017, the Company changed its name to Lithoquest Diamonds Inc. from Consolidated Westview Resource Corp. upon completing a reverse take-over transaction with a private company Lithoquest Diamonds Inc., which changed its name to Lithoquest Holdings Inc. ("Holdings").

The Company is engaged in the acquisition and exploration of mineral properties. The Company's head office is at 199 Norton Road, Salt Spring Island, BC V8K 2P5.

The Company has been active in acquiring, exploring and evaluating potential properties in the Kimberly region of the Australian state of Western Australia. The Company has not generated significant revenues or cash flows from operations and has not yet determined whether its mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Outlook

<u>North Kimberley Diamond Project Status</u>

Based on work completed to date, several high-priority target areas have been identified for follow-up on the North Kimberley Diamond Project. The Company believes that there is ample evidence that there are diamond-bearing bodies in the new field the Company has discovered, including 1827 where the Company has constrained the source of abundant Kimberlite Indicator Minerals ("KIM's") and diamonds to a small area. Each target area is characterized by the presence of KIM's recovered from rock, stream, or soil samples. The Company's understanding of the geochemical and geophysical expression of kimberlites in the new field has evolved quickly and will be vital in identifying the most promising targets going forward. Work proposed for future programs includes prospecting, sampling, geophysical surveys, and drilling.

However, funding for diamond exploration has recently become difficult to secure due to conditions in the overall diamond industry. As a result, the Company has placed the North Kimberley Diamond Project on care and maintenance until financing conditions improve. This has, in turn, given rise to an

IFRS indicator of impairment for the project, resulting in the Company having written-down the carrying value of the North Kimberley Diamond Project to a value representing the cost of the claims and related land administration.

New Project Initiatives

In response to the above, the Company, along with its advisors, has commenced a process to actively review mineral projects with the objective of securing, through acquisition or joint venture, one or more projects that may offer significant discovery potential. Preference is being given to projects located in stable jurisdictions, containing gold and copper, however, other mineral commodities are also being considered. The Company will provide further updates as appropriate.

Discussion of Operations

Australia Diamond Project

Lithoquest has identified diamond exploration targets in Western Australia (the "North Kimberley Diamond Project", "NKDP", or the "Property") and, through its wholly owned Australian subsidiary Lithoquest Diamonds (Australia) Pty. Ltd. ("Lithoquest Australia") (formerly Primeform Investments Pty Ltd.), acquired a 100% interest in two exploration licenses to cover the targets, E80/5029 and E80/5030 (the "Exploration Licenses") covering a total of 100,803.77 hectares in the King George River region of Western Australia. The Exploration Licenses were granted on January 17, 2017 for a term of five-years.

On September 3, 2018, Lithoquest Australia was granted a third exploration license covering 49,802.18 hectares contiguous with the lands covered by the Exploration Licenses. This exploration license, E80/5163, was granted for a term of five-years and will form part of the North Kimberley Diamond Project or the Property.

The North Kimberley Diamond Province, covering an estimated area of some 4,000 km^2, was the first kimberlite province to be discovered in Western Australia. Despite early encouragement from the discovery of diamondiferous kimberlite dykes in the mid 1970's, it was not until the 1990's during the second phase of exploration that significant diamondiferous kimberlite pipes were discovered. The diamondiferous discoveries proved not to be economically viable and exploration ceased by 2005.

The benefit of this historic exploration is that it has provided insights on the preferential regional structures influencing the emplacement of the known pipes, as well as the exploration challenges posed by deep weathering and the development of post emplacement 'infill' sediments. Bulk testing of alluvial deposits, kimberlites pipes and dykes has demonstrated that a variety of diamond populations are present in the Province. Although many of the explorers have reported the occurrence of alluvial diamonds, no potential placer deposits have been identified. Large diamonds were confirmed when +10 ct sized diamonds were reported from bulk testing of the Ashmore cluster of pipes. The largest pipe discovered in the region is the weakly diamondiferous Pteropus 2 pipe, which has a surface area of 10 ha.

The Property covers the underexplored northwest portion of a prospective kimberlite corridor and is considered an early to intermediate stage exploration project.

The size of the North Kimberley Diamond Province, the range in size of the kimberlite bodies, the demonstrated variability of the diamond populations and the occurrence of large diamonds, are characteristics that when considered together support the potential for the region to host an economic diamond deposit.

On January 16, 2020, the Company voluntarily relinquished 114 of the 198 blocks on tenement E80/5029, retaining 84 blocks and voluntarily relinquished 88 blocks on tenement E80/5030, retaining 20 blocks. Following this action, the tenements are compliant with the compulsory reduction requirements under the Mining Act of Western Australia. On February 11, 2020 the Company voluntarily relinquished tenement E80/5029.

The reader is directed to a NI 43-101 Technical Report available on SEDAR entitled "North Kimberley Diamond Project" (the "Report") prepared independently by T. H. Reddicliffe BSc Hons (Geol), MSc, FAUSIMM, for a fulsome description of the Property, its geology, historical work and recommended exploration program.

Exploration Activities

Previous periods
The Company conducted a field exploration program on the Property in December 2017, and a second field program in the period June through September 2018 which included drilling. In November 2018, the Company conducted a high-definition airborne magnetic survey over a key target area on the Project. The reader is directed to the Company's Annual MD&A for the years ended March 31, 2019 and 2018, for details of these programs and the results.

2019 Field Season
The 2019 field program commenced in June 2019 and was conducted in two phases. The first phase concentrated on assessing prospective areas identified by the Company with the objective of selecting and prioritizing targets for drill testing. Exploration activities during this period included geological mapping, prospecting, ground geophysical surveying and sampling for kimberlite indicator minerals. The second phase of the field program commenced in October 2019 and focused on testing the most prospective kimberlite targets using a reverse circulation drill.

Total exploration expenditures for the year ended March 31, 2020 were $1,329,744, compared to a previous budget of approximately $1.5 million.

2019 Field Program: Phase I – Target Generation

Phase I of the NKDP 2019 field program concluded on time and under-budget. The program focused on refining 20 priority target areas with the collection of rock, stream and loam samples, test-pitting and ground geophysical surveys.

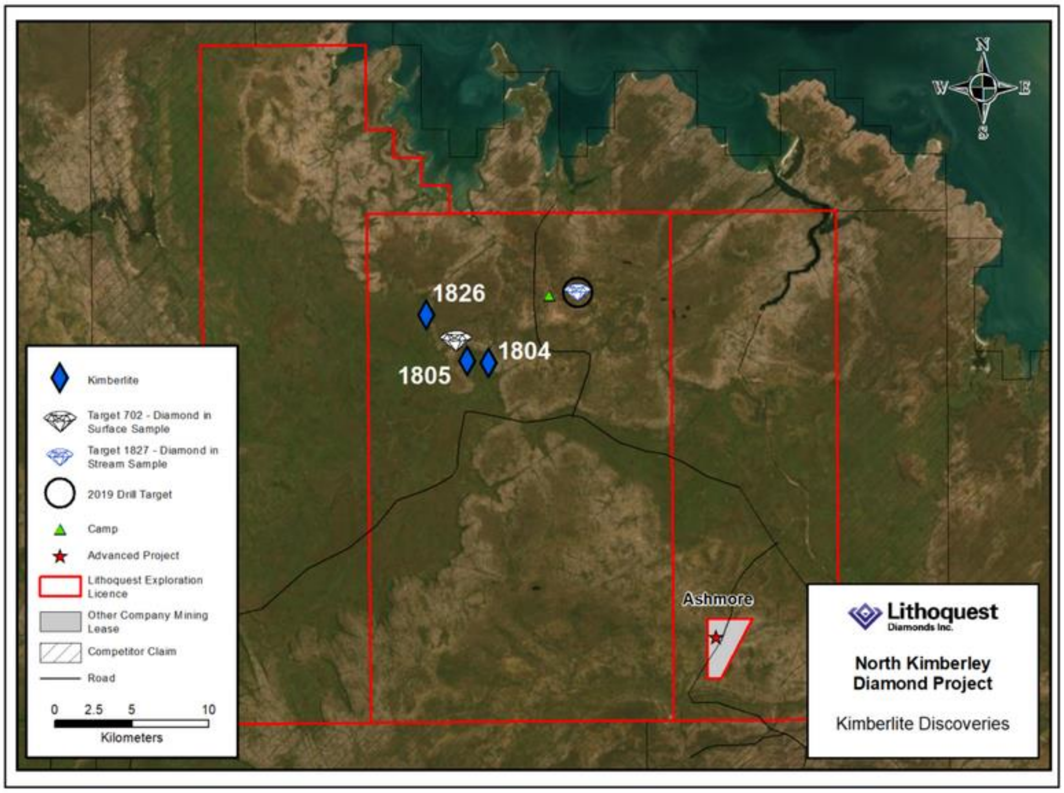
In total, 45 rock, 48 stream and 93 loam samples were collected, 35 test pits were excavated, and more than 340 line-kilometres of ground geophysical surveys were completed. Lithoquest used Perth-based laboratories for the processing and analysis of rock, stream, loam and test-pit samples.

The Phase I field program and laboratory work were overseen by Mr. Dave Skelton P.Geol. and Mr. Tom Reddicliffe FAusIMM. Mr. Skelton has more than 25 years of diamond exploration experience and was involved in the discovery of several kimberlite fields including the Buffalo Head Hills cluster. Mr. Reddicliffe has more than 40 years of diamond exploration experience in Australia and is credited with the discovery of the Merlin Diamond Mine. The field team is further supported by Ms. Gina Rockett, a senior exploration consultant with more than 25 years' experience who recently served as Senior Exploration Geologist at Merlin Diamond Mines.

2019 Field Program: Phase II – Drilling

The Company's Phase II drilling program began in the third quarter. A total of 928 m of drilling was completed in 11 reverse circulation holes on targets 1805, 1826 and 1827 during the 2019 drill program (Figure 1). Kimberlite was intersected at targets 1805 and 1826. No kimberlite was intersected at target 1827; however, work was suspended after completing one hole due to time constraints. Target 1827 remains prospective, warranting additional work. Drilling was also conducted on the 1804 kimberlite discovered in 2018.

Figure 1: Kimberlite Discoveries



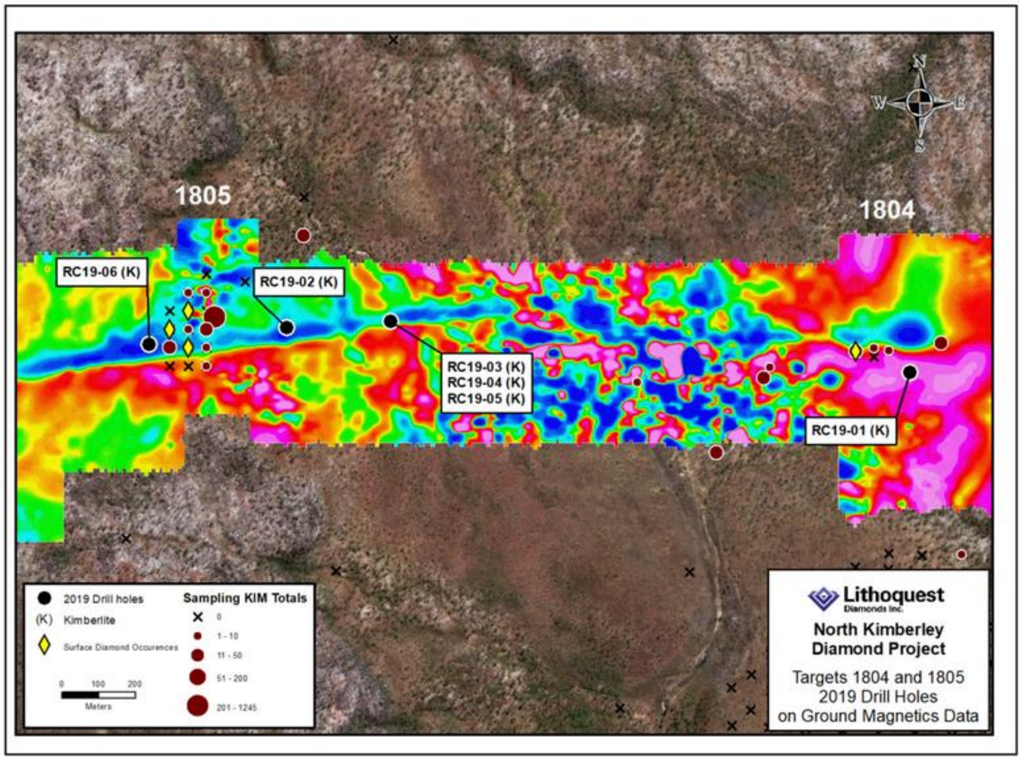
The drilling results are summarized as follows:

Drill Hole	Target	Easting	Northing	Azimuth (degrees)	Inclination (degrees)	End of Hole (metres)	Kimberlite (metres)	
							From	To
RC19-01	1804	300947	8443597	358	-61	189.5	132	185
RC19-02	1805	299252	8443719	184	-60	88	57	58
							73	74
RC19-03	1805	299535	8443736	180	-60	28	10	13
RC19-04	1805	299547	8443748	178	-59	49	32	43
RC19-05	1805	299547	8443748	177	-50	40	26	37
RC19-06	1805	298878	8443674	180	-50	88	49	52
RC19-07	1826	296885	8446750	115	-50	94	41	44
RC19-08	1826	296889	8446752	48	-48	94		
RC19-09	1826	296762	8446790	6	-49	64		
RC19-10	1826	296791	8446703	163	-50	70		
RC19-11	1827	306274	8448050	198	-58	124		

Target 1805

Target 1805 (Figure 2) is a 1.7 km long linear feature defined by the presence of kimberlite indicator minerals including diamonds, as well as gravity and magnetic anomalies. 1805 was drill tested with 5 holes in three locations over approximately 700 m.

Figure 2: Kimberlites 1804 and 1805



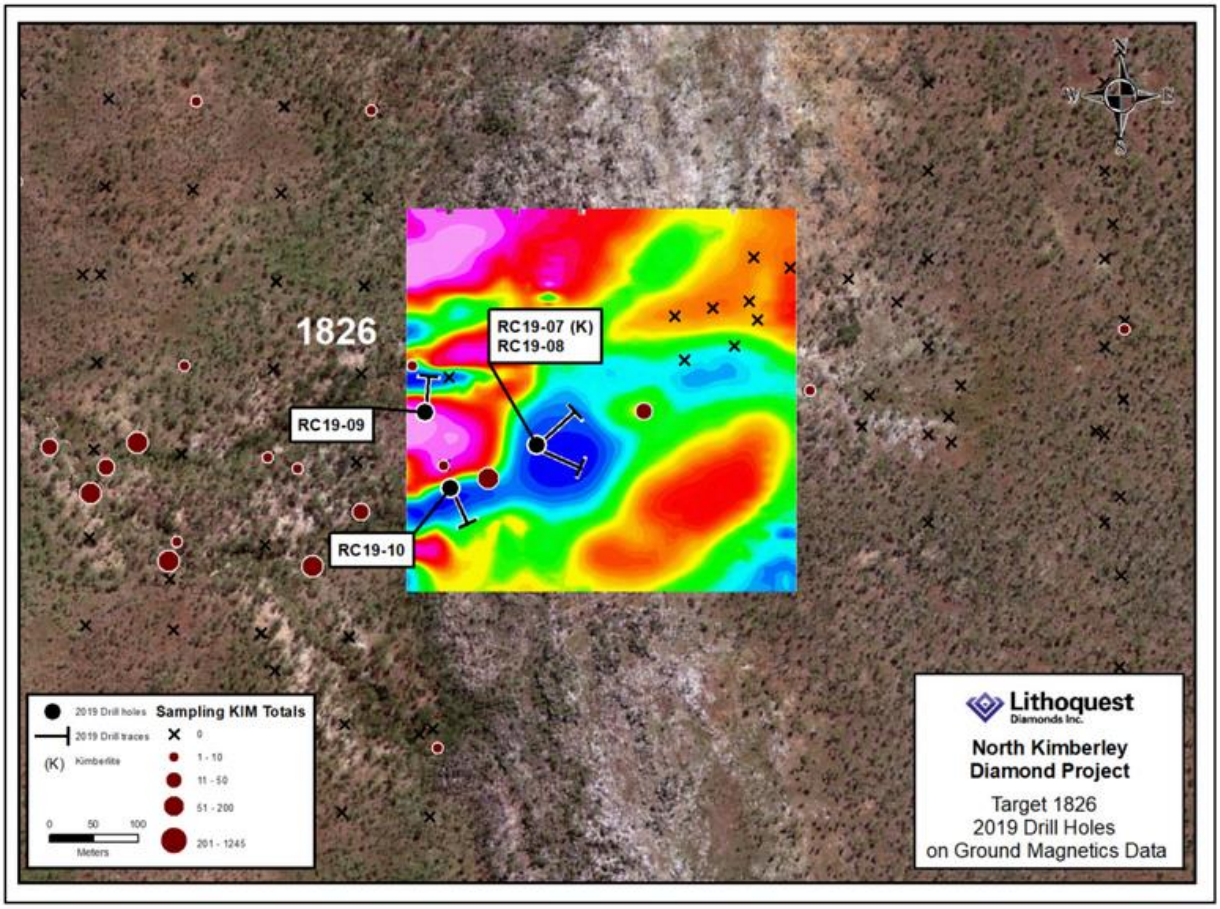
Kimberlite was intersected in all five holes, with the widest intersection encountered in drill hole RC19-04 between 32 m and 43 m. RC19-04 was drilled at an inclination of -60 degrees. Kimberlite intersections from a second hole, RC19-05, drilled from the same location indicate that the body is vertical and has a true width of approximately 5 m.

The eastern end of Target 1805 is located approximately 1 km from kimberlite 1804 which is associated with a similar linear feature. Data suggests that the two features may be part of a system that is continuous over 3.1 km. Further work will be required to establish whether the two occurrences are related.

Target 1826

A total of 4 holes were drilled at target 1826 (Figure 3). Kimberlite was intersected over a 3 m interval between 41 m and 44 m in drill hole RC19-07. RC19-07 was inclined at -50 degrees and targeted coincident gravity and magnetic anomalies at the head of a well-constrained indicator dispersion. No kimberlite was intersected in the other three holes.

Figure 3: Kimberlite 1806



Kimberlite 1804

One hole was drilled at kimberlite 1804 (Figure 2) with the goals of:

- Obtaining a better understanding of body geometry and size.
- Testing for additional lithologic units or phases.
- Gaining a better understanding of how the observed geophysical signature relates to the body.

Drill hole RC19-01 intersected 53 m of kimberlite from a depth of 132 m to 185 m. The hole was drilled at an inclination of -50 degrees towards the north. A reinterpretation of the geophysical signature suggests that the dimensions of the 1804 kimberlite are 40 m by 125 m. Geochemical testing and indicator work will be completed to determine if new kimberlitic units were intersected.

Kimberlite Analysis and Diamond Testing

Reverse circulation drill cuttings representing one metre intervals were logged and tested with a portable XRF instrument on site to determine the lithologies intersected. Nine samples from the 1805 kimberlite weighing a total of 145.4kg and four samples from the 1826 kimberlite with a total weight of 43.6kg were submitted to Australian laboratories for geochemical, diamond and indicator mineral analysis.

The results from microdiamond analysis of the 1805 and 1826 kimberlites yielded no diamonds recovered from either kimberlite.

Although no diamonds were recovered from 1805 and 1826, the Company believes there is ample evidence that there are diamond-bearing bodies in the new field the Company has discovered on the North Kimberley Diamond Project. The Company's understanding of the geochemical and geophysical expression of kimberlites in the new field has evolved quickly and will be vital in identifying the most promising targets going forward.

Several high-priority target areas have been identified for follow-up, including 1827 where the Company has constrained the source of abundant Kimberlite Indicator Minerals ("KIM's") and diamonds to a small area. Each target area is characterized by the presence of KIM's recovered from rock, stream or soil samples. Work proposed for the next phase of exploration includes prospecting, sampling, geophysical surveys and drilling.

Impact of Covid-19

In March 2020, the Western Australian Government restricted access to many parts of Western Australia, including the Kimberley region where the Company's mining tenements are located, as a method of reducing the risk of spreading the Covid-19 virus, especially amongst local Aboriginal communities. The restriction was lifted for the majority of the State on June 5, 2020 and the company's contractors who are resident in Western Australia are now free to travel and work on the company's tenements. However, local Aboriginal communities are still closed.

The Australian Government has closed Australia's border, except for Australians returning home, who must then comply with a mandatory 14 day quarantine period in a hotel. It is unknown how long the international border will remain closed.

Furthermore, the Western Australian Government has also closed its State border and anyone who is granted special permission to enter the State from another part of Australia must then comply with a mandatory 14 day quarantine period.

The Company's Canadian-based management and contractors would therefore not currently be permitted to enter Australia for the purpose of supervising activities at the tenements and no exploration activities are currently planned.

Exploration Expenditures

The following table sets forth a breakdown of the material components of the Company's exploration and land administration expenditures for the years ended March 31, 2020 and 2019, and cumulatively for its work on the North Kimberly Diamond Project.

	Year Ended March 31,		
	2020	2019	Cumulative
North Kimberly Diamond Project			
Drilling	$ 362,018	$ 392,539	$ 754,557
Geological	27,105	266,227	468,817
Geophysical	134,944	367,191	552,465
Heavy mineral sampling	177,692	-	177,692
Environmental and permitting	-	-	819
Laboratory	146,327	57,962	243,573
Local community	71,838	190,288	370,621
Site operations	275,652	675,208	995,092
Technical reports	1,800	33,704	64,056
Project management	98,726	160,913	352,567
Land administration	77,600	123,181	352,837
Local administration	33,642	45,253	119,551
Finder's fee	-	-	15,000
	$ 1,407,344	$ 2,312,466	$ 4,467,647

Selected Annual Information

The following selected annual financial data has been obtained from the Company's annual consolidated financial statements, which were prepared in accordance with IFRS.

	Year Ended March 31,		
	2020	2019	2018
Revenue	$0	$0	$0
Net Loss	$4,780,990	$1,523,454	$3,481,166
Loss per share, basic and diluted	$0.09	$0.03	$0.12

	As at March 31,		
	2020	2019	2018
Mineral properties	$352,837	$3,060,303	$747,837
Total assets	$506,592	$4,284,073	$5,406,038
Current liabilities	$413,181	$399,296	$362,238

For the year ended March 31, 2020, the Company reported a net loss of $4,780,990 (2019 - $1,523,454), comprised primarily of write-down of exploration asset of $4,114,810 (2019 - $nil), management and consulting fees of $301,956 (2019 - $486,238), marketing and corporate development expenses of $115,755 (2019 - $441,279), and professional fees $109,673 (2019 - $51,628).

The $4,114,810 write-down resulted from difficulties in the funding market for diamond exploration. The $184,282 decrease in management and consulting fees reflects the completion in the prior year of a capital markets advisory contract and a reduction in management fees consistent with reduced activity levels beginning in Q3. Marketing and corporate development expenses decreased $325,524 consistent with the decrease in marketing activities for the year. Professional fees increased $58,045 mainly in connection with the Company's defense against the stamp duty assessment *(see note 12 to the consolidated financial statements)*.

Summary of Quarterly Results

The selected quarterly financial information for the past eight financial quarters is outlined below. The information has been prepared in accordance with IFRS.

	Three Months Ended			
	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Net Loss	$3,885,995	$518,338	$187,911	$188,746
Loss per share, basic and diluted	$0.07	$0.01	$0.00	$0.00

	Three Months Ended			
	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Net Loss	$243,240	$457,288	$359,682	$463,244
Loss per share, basic and diluted	$0.01	$0.01	$0.01	$0.01

Discussion of Quarterly Variations

The fourth quarter of the fiscal year ended March 31, 2020 included the $4,114,810 write-down of the exploration project. The second quarter included a $286,000 share-based compensation expense for repricing and extending warrants outstanding. That charge was reversed in Q4. The second quarter also included a one-time cost of $50,000 for terminating a property acquisition agreement and $42,020 of the professional fees related to the stamp duty assessment. The impact of reduced marketing activities resulted in a decline in costs from an average of $50,117 for Q1 and Q2 to an average of $7,761 for Q3 and Q4.

For the full fiscal year ended March 31, 2019, share-based compensation was $322,700 and reflects the cost of stock option grants. The quarterly amount of the expense is tied to the timing of the award and the vesting period, among other factors. Excluding share-based compensation, the quarterly losses for 2019 were: Q4 $243,240, Q3 $305,788, Q2 $290,482, and Q1 $361,244. Marketing costs are significantly impacted by the timing of shows and other events in which the Company participated. The first quarter was the busiest for such marketing with costs $65,349 higher than the average of the following three quarters.

Fourth Quarter 2020 Financial Review

During the fourth quarter, the Company produced cash of $18,273 from operating activities, $40,009 in exploration activities and produced $46,000 in finance activities. The cash position decreased by $24,264 to $81,902 at March 31, 2020.

Liquidity and Capital Resources

The Company generates cash solely through financing activities. During year ended March 31, 2020, the Company closed a non-brokered private placement offering (the "Offering") in which it received total proceeds of $943,624 net of issuance cost, and issued 9,780,000 common shares. Concurrent with the closing of the Offering, the Company issued Royalty Certificates for Net Smelter Returns Royalties entitling holders to royalties aggregating 0.978% over its North Kimberley Diamond Project. The Company commenced a financing and received $46,000 in subscription receipts for shares to be issued. At March 31, 2020, the Company had cash of $81,902 and a working capital deficit of $259,426. Subsequent to the year end, the Company completed a non-brokered private placement receiving an additional $204,000 for aggregate gross proceeds of $250,000 See "*Subsequent Events*".

The Company is not currently funded to undertake an exploration program on the North Kimberly Diamond Project in the coming year. It believes that it currently has sufficient capital resources available to meet its working capital needs for approximately the first half of the coming year. The Company is involved in early stage exploration and data analysis. It has no current sources of revenue and does not anticipate receiving revenue in the foreseeable future. It is highly likely that it will continue to depend on equity financing in the future. The availability of future funding will depend on factors that include market conditions and the Company's exploration prospects and results.

As of the date of this MD&A, the Company has no material commitments.

Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Related-Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors and officers of the Company. The remuneration of key management during the years ended March 31, 2020 and 2019 is as follows:

		2020		**2019**
Management fees	$	**217,500**	$	252,000
Share-based payments		**-**		182,840
	$	**217,500**	$	434,840

At March 31, 2020, accounts payable include amounts due to related parties of $32,680 (2019 - $16,459). These amounts are due on demand, non-interest bearing and are unsecured.

These transactions were in the normal course of business and were measured at the exchange amount. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

Proposed Transactions

As of the date of this MD&A, there have been no transactions of a material nature proposed.

Recent Accounting Pronouncements

The following new standards, and amendments to standards and interpretations, are effective for the period ended March 31, 2020, and have been applied in preparing these consolidated financial statements:

IFRS 16 Leases

FRS 16 replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by leases, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. A lessee can choose to apply IFRS 16 using either a full retrospective approach or a modified retrospective approach. The Company has applied IFRS 16 at the date it becomes effective using a modified retrospective approach. By applying this method, the comparative information for the 2019 fiscal year has not been restated.

At the inception of a contract, the Company assesses whether a contract is or contains a lease. If so, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which consists of:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date
- Any indirect costs incurred
- An estimate of costs to dismantle or remove the underlying asset or to restore the site on which the asset is located
- Any incentives received from the lessor

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The lease payments associated with these leases are expensed on a straight-line basis over the lease term.

The Company has reviewed all existing leases and concluded that all leases that were previously expensed over the lease term where considered to be either short-term leases or leases of low value assets, and therefore there is no impact to the consolidated financial statements upon adoption of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. Implementation of IFRIC 23 did not have a material effect on the Company's results and financial position.

Accounting standards and amendments issued but not yet adopted

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2020, or later periods. The Company has not early adopted these new standards in preparing these consolidated financial statements. There new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Financial Instruments and Financial Risk

Fair Values and Classification of Financial Instruments

The Company's financial instruments consist of cash and accounts payable. Financial instruments are classified into one of the following categories: FVTPL, FVTOC, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	**March 31, 2020**	March 31, 2019
Cash	FVTPL	**$ 81,902**	$ 1,172,346
Accounts payable	Amortized cost	**175,664**	126,296

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at March 31, 2020 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash	**$ 81,902**	**$ -**	**$ -**	**$ 82,902**

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at March 31, 2019 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash	$ 1,172,346	$ -	$ -	$ 1,172,346

The fair value of the Company's financial instruments approximates their carrying value as at March 31, 2020 and 2019 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(i) Currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currencies. Management does not hedge its exposure to foreign exchange risk

The Company's corporate expenses are denominated in Canadian dollars and does not have any significant foreign currency denominated monetary liabilities. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

The Company's Australian subsidiary is exposed to foreign currency risk on fluctuations related to cash and accounts payable that are denominated in Australian dollars. The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in Australian dollars:

	March 31, 2020
Cash	AUS$ 25,369
Accounts receivable	19,768
Accounts payable	(268,387)
Total in foreign currency	223,250
Net exposure	(29,559)
Canadian dollar equivalents	**$ 193,691**

Based on the net Canadian dollar denominated asset and liability exposures as at March 31, 2020, a 10% fluctuation in the Canadian/AUS exchange rates would impact the Company's earnings for the year ended March 31, 2020 by $19,369.

(ii) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's accounts payable have contractual maturities of 30 days and are subject to normal trade terms. In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

Subsequent Event

On April 22, 2020, the Company closed a non-brokered private placement and issued 8,333,334 common shares at a price of $0.03 per common share for aggregate gross proceeds of $250,000. Of this total $46,000 was received prior to March 31st and was reflected in equity as shares to be issued.

Disclosure of Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares without par value. On July 24, 2020, there were 64,181,881 common shares issued and outstanding, 3,930,000 stock options outstanding with a weighted average exercise price of $0.29, expiring between 2022 and 2023, and 11,838,636 warrants with a weighted average exercise price of $0.15, expiring November 23, 2021.

Risks and Uncertainties

<u>Mining Risks</u>

The Company is subject to the risks typical in the mining business including uncertainty of success in exploration and development; operational risks including unusual and unexpected geological formations, rock bursts, particularly as mining moves into deeper levels, cave-ins, flooding and other conditions involved in the drilling and removal of material as well as environmental damage and other hazards; risks that intended drilling schedules or estimated costs will not be achieved; and risks of fluctuations in the price of commodities and currency exchange rates. Mineral prices are subject to volatile price movements over short periods of time and are affected by numerous factors, all of which are beyond the Company's control, including expectations of inflation, levels of interest rates, sale of gold by central banks, the demand for commodities, global or regional political, economic and banking crises and production rates in major producing regions. The aggregate effect of these factors is impossible to predict with any degree of certainty.

<u>Business Risks</u>

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations.

Financial risks include commodity prices, interest rates and foreign exchange rates, all of which are beyond the Company's control.

Regulatory risks include possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company and include increased fees for filings as well as the introduction of ever more complex reporting requirements, the cost of which the Company must meet to maintain its exchange listing.

Competition

The mineral exploration and mining business is competitive in all its phases. The Company will compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive exploration and evaluation properties. The Company's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable prospects for mineral exploration or development. There is no assurance that the Company will be able to compete successfully with others in acquiring such prospects.

No Operating History and Financial Resources

The Company does not have an operating history and has no operating revenues and is unlikely to generate any in the foreseeable future. It anticipates that its cash resources will be sufficient to cover its projected funding requirements for the ensuing year. If its exploration program is successful, additional funds will be required for further exploration to prove economic deposits and to bring such deposits to production. Additional funds will also be required for the Company to acquire and explore other mineral interests. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to it fulfill its obligations or for further exploration and development, on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or terminate its operations.

Price Volatility and Lack of Active Market

In recent years, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly.

Key Executives

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel, whose contributions to the immediate future operations of the Company are likely to be of importance. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives.

Potential Conflicts of Interest

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies.

Dividends

The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of the Company deem relevant.

Nature of the Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Qualified Person

The content of the sections of this MD&A entitled "Discussion of Operations – Australia Diamond Project" and "Discussion of Operations – Exploration Activities" have been approved by Bruce Counts, B.A. Sc, P.Geo., who is a Qualified Person as defined by NI 43-101 and President, CEO and a Director of Lithoquest Diamonds.

Forward-Looking Statements & Cautionary Factors that may Affect Future Results

Certain statements contained in this MD&A constitute forward-looking statements, within the meaning of Canadian securities regulations. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, assumptions or future events or performance (often using words such as "plan", "estimate", "expect", "will", "believe" and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements contained in this MD&A include but are not limited to statements relating to the sufficiency of the Company's capital resources, exposure to exchange rate fluctuations, plans for and the duration of the exploration field work program, and expected expenditures of the Company. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth above. The Company assumes no obligation to update or revise forward looking statements to reflect new events or circumstances except as required by law.

Additional Information

Additional information relating to the Company is available on the SEDAR website, www.sedar.com.